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November 16, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02202

Re: D.T.E. 04-85 — Petition of Boston Edison Company and Commonwealth Electric Company for Approvals Relating to the Restructuring of Power Purchase Agreements with Northeast Energy Associates Limited Partnership

Dear Secretary Cottrell:

On September 29, 2004, Boston Edison Company ("Boston Edison") and Commonwealth Electric Company ("Commonwealth"), d/b/a NSTAR Electric ("NSTAR Electric") filed a Petition for approval of: (a) the Bellingham Execution Agreement dated August 19, 2004 between NSTAR Electric and Northeast Energy Associates Limited Partnership ("NEA"); (b) the four associated Amended and Restated Purchase Power Agreements between (1) Boston Edison and Northeast Energy Associates Limited Partnership ("NEA") and (2) Commonwealth and NEA (collectively, the "NEA Restructuring"); and (c) approval of ratemaking treatment relating to the NEA Restructuring. NSTAR Electric is seeking Department of Telecommunications and Energy (the "Department") approval of an Execution Agreement and four Amended and Restated PPAs (two for Boston Edison and two for Commonwealth) to effect the restructuring of the NSTAR Electric's existing purchase power agreements ("PPAs") with NEA.

As described in Exhibit NSTAR-GOL at 17-24, the Bellingham Execution Agreement provides for a Closing Payment to be made when the transaction is consummated (see also Petition, Appendix A, at Bates pages 3-4). The Closing Payment is designed, among other things, to provide certain adjustments for market changes that have occurred since the Bid Date on December 3, 2003. The Closing Payment has two components: The first component is the Closing Date Amount, which calculates the difference between what NSTAR Electric actually paid under the existing PPAs and what it would have paid under the Amended and Restated PPAs (Exh. NSTAR-GOL at 17-21; Exh. NSTAR-GOL-3). The second component is the Adjusted Bid Price Amount, which accounts for changes in wholesale energy market prices (Exh. NSTAR-GOL at 18, 21-24; Exh. NSTAR-GOL-4). In accordance with the provisions of Section 5.5(b) of the Bellingham Execution Agreement, there is a \$15 million cap on the amount of adjustment

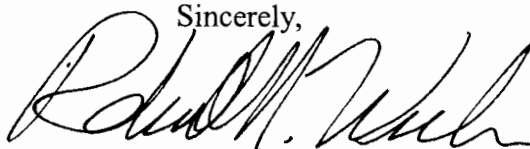
to market prices above or below the mark-to-market price on the Bid Date of \$12.6 million. This means that for maximum credit that would flow to customers for higher natural gas prices under the mark-to-market provisions of the Bellingham Execution Agreement is \$27.6 million.

Because of recent large increases in natural gas prices (see Response to Information Request AG-1-32, Attachment AG-1-32 **CONFIDENTIAL**), the calculated level of the Adjusted Bid Price Amount would far exceed the \$27.6 million limit, which would limit the forecast savings for NSTAR Electric customers. In accordance with the intent of the parties to adjust for market changes since December 3, 2003, they have negotiated the enclosed First Amendment to the Bellingham Execution Agreement (the "First Amendment") that raises the cap in the adjustment level that can flow in favor of NSTAR Electric customers by over \$52 million to \$80 million from the current \$27.6 million (First Amendment, Paragraphs 2-4, amending Section 5.5(b) of the Bellingham Execution Agreement). Because this change will likely result in a significant Closing Payment to be made by NEA (as opposed to the payment that was to have been made by NSTAR Electric to NEA), NEA has requested some flexibility in making that payment. Those provisions are included in Paragraph 1 of the First Amendment (amending Section 5.5(a) of the Bellingham Execution Agreement).

The First Amendment provides significant benefits to customers and is now an integral part of the NEA Restructuring. Accordingly, NSTAR Electric requests that the Department approve the entirety of the NEA Restructuring, including the First Amendment. The total projected customer savings, taking into account both the impact of the First Amendment and the impact of the update Henwood Forecast, are being filed in response to outstanding Information Requests issued by Attorney General.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", written in a cursive style.

Robert N. Werlin

Enclosure

cc: Joan Foster Evans, Hearing Officer
Service List

FIRST AMENDMENT TO THE BELLINGHAM EXECUTION AGREEMENT

THIS FIRST AMENDMENT TO THE BELLINGHAM EXECUTION AGREEMENT (the "First Amendment") is entered into as of November __, 2004, between Boston Edison Company ("BECo") and Commonwealth Electric Company ("CECo") (BECo and CECo each, a "Utility" and jointly the "Utilities") and Northeast Energy Associates, A Limited Partnership, a Massachusetts limited partnership ("NEA"). BECo, CECo and NEA are individually referred to herein as a "Party" and are collectively referred to herein as the "Parties." Terms used and not otherwise defined in this Amendment shall have the meanings set forth in the Execution Agreement (as defined below).

WHEREAS, the Parties entered into that certain Bellingham Execution Agreement as of August 19, 2004 (the "Execution Agreement") pursuant to which the Parties agreed to, among other things, amend the Power Purchase Agreements;

WHEREAS, the Parties seek to make certain amendments to Execution Agreement relating to the method of calculating and paying the Closing Payment;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. The third sentence of Section 5.5(a) of the Execution Agreement shall be deleted and replaced with the following:

If the Closing Payment is a negative amount, NEA shall have the option to either (i) pay NSTAR, on behalf of the Utilities, the absolute value of such amount, (ii) provide NSTAR, on behalf of the Utilities, a note payable due in full within one year of the Closing Date and otherwise to be paid on commercially reasonable terms, or (iii) amend the terms of the Amended and Restated Power Purchase Agreements to reduce payments due from the Utilities to NEA in an amount equal to the Closing Payment, such reduced payments to occur within one year of the Closing Date and otherwise to be made on commercially reasonable terms. In the event that NEA and the Utilities are unable to agree, prior to the Closing Date and after using commercially reasonable efforts, on the terms of the note payable, as set forth in Section 5.5(a)(ii), such option shall not be available. In the event that NEA and the Utilities are unable to agree, prior to the Closing Date and after using commercially reasonable efforts, on the amended terms of the Amended and Restated Power Purchase Agreements, as set forth in Section 5.5(a)(iii), such option shall not be available. In the event that NEA and the Utilities are unable to agree, prior to the Closing Date and after using commercially reasonable efforts, on the terms of both the note payable and the Amended and Restated Power

Purchase Agreements, as set forth in Sections 5.5(a)(ii) and 5.5(a)(iii), respectively, both such options shall not be available and NEA shall pay the absolute value of the Closing Payment as set forth in Section 5.5(a)(i).

2. Section 5.5(b)(i) shall be deleted and replaced as follows:

"If, on the Calculation Date, the Adjusted Bid Price Amount is less than negative \$80,000,000, then the revised Adjusted Bid Price Amount shall be negative \$80,000,000 and the Closing Date will occur as scheduled."

3. Each subsequent reference in Section 5.5(b) to "negative \$27,566,453" shall be replaced with "negative \$80,000,000."

4. Section 5.5(b)(v) shall be deleted in its entirety and Section 5.5(b)(vi) shall be renumbered as Section 5.5(b)(v).

Edison EKA

BOSTON ~~EDISON~~ COMPANY

By: *Ellen K Angley*

Name: *Ellen K Angley*

Title: *U.P. Energy Supply + Transmission*

**COMMONWEALTH ELECTRIC
COMPANY**

By: *Ellen K Angley*

Name: *Ellen K Angley*

Title: *U.P. Energy Supply Transmission*

**NORTHEAST ENERGY ASSOCIATES,
A LIMITED PARTNERSHIP**

*By Northeast Energy LP →
Its General Partner*

By: ESI Northeast Energy GP, Inc.
its Administrative General Partner

By: *Matthew E. Th...*

Authorized Representative